

Message Text

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TAGS: EIND, ELTN, EINV, FR.
SUBJECT: JOINT VENTURE OF RENAULT AND BENDIX; THE
MARRIAGE OF ELECTRONICS AND THE AUTOMOBILE.

1. NEGOTIATIONS BETWEEN THE LARGEST FRENCH AUTOMOBILE
MANUFACTURER RENAULT (STATE-OWNED) AND THE US FIRM
BENDIX HAVE RESULTED IN A JOINT VENTURE AGREEMENT WHICH
NOW MUST BE APPROVED BY THE FRENCH GOVERNMENT. A
SUBSIDIARY WILL BE SET UP FOR RESEARCH, DEVELOPMENT,
AND PRODUCTION IN FRANCE OF ELECTRONIC CONTROL AND
EQUIPMENT SYSTEMS FOR AUTOMOBILES, E.Q. IGNITION, FUEL
INJECTION, AND ANTI-POLLUTION DEVICES FOR SALES TO THE
EUROPEAN MARKET. INVESTMENT OF 100 MILLION FRANCS IS
ENVISAGED (ABOUT \$22 MILLION) WITH RENAULT HOLDING
51 OF THE CAPITAL AND BENDIX THE REMAINDER. BY 1980,
EMPLOYMENT WILL REACH 500.

2. ACCORDING TO THE NEWSPAPER ACCOUNTS BY 1985, THE
MARKET FOR ELECTRONIC AUTOMOTIVE EQUIPMENT WILL RISE TO
\$400 MILLION IN FRANCE AND \$1.4 BILLION IN EUROPE,
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MAKING THE AUTOMOBILE INDUSTRY THE THIRD LARGEST USER
OF ELECTRONIC COMPONENTS. ANTICIPATING THIS NEED
RENAULT HAD BEEN SEARCHING FOR A PARTNER IN ELECTRONICS
FOR SOME TIME. AT FIRST, EFFORTS WERE IN THE DIRECTION
OF MANUFACTURERS OF INTEGRATED CIRCUITS (MOTOROLA,
TEXAS INSTRUMENTS, TOSHIBA) BUT THE FINAL DECISION
IS FOR AN EQUIPMENT MANUFACTURER, BENDIX. THE AGREEMENT

WILL BENEFIT BENDIX IN GIVING IT AN ENTRY INTO THE EUROPEAN AUTOMOBILE ELECTRONICS MARKET. THE OTHER LARGE FRENCH AUTOMOBILE GROUP PEUGEOT CITROEN HAS ALREADY SIGNED AN AGREEMENT WITH THE GERMAN FIRM BOSCH TO STUDY THE PROBLEMS OF FUEL AND AIR MIXTURE. A COMPANY SPOKESMAN HAS CONFIRMED THE INFORMATION ABOUT THE AGREEMENT IN THIS MESSAGE.

3. COMMENT: FROM THE POINT OF VIEW OF US COMMERCIAL INTERESTS IT IS INDEED WELCOME THAT ONCE AGAIN A FRENCH AMERICAN SOLUTION HAS BEEN FOUND TO A FRENCH PROBLEM AS FOR EXAMPLE IN THE CASE OF COMPUTERS WITH THE CII-HONEYWELL AGREEMENT. RENAULT HAS FOLLOWED ITS AGREEMENTS WITH MACK TRUCK AND AMERICAN MOTORS BY AN ARRANGEMENT WITH YET ANOTHER WELL KNOWN US FIRM, BENDIX. THE EMBASSY SUBSCRIBES TO THE VIEW EXPRESSED IN LE MONDE 5 AUGUST 78 THAT THE LOCAL PUBLIC AUTHORITIES WOULD HAVE WISHED A PURELY FRENCH SOLUTION, UNDER WHICH THE GREAT END USERS OF COMPONENTS SUCH AS RENAULT WOULD HAVE ASSOCIATED THEMSELVES WITH THE "PLAN COMPOSANTS" THAT THE GOVERNMENT HAS BEEN ELABORATING SO LABORIOUSLY THE LAST FEW YEARS. HOWEVER, RENAULT HAS DEMONSTRATED IN ITS CONTINUING AGREEMENTS WITH US FIRMS, THAT DESPITE BEING STATE-OWNED, CONSIDERATIONS OF COST EFFECTIVENESS, MARKET PENETRATION, AND ADVANCED TECHNOLOGY WEIGH MORE HEAVILY WITH ITS MANAGEMENT THAN UNCLASSIFIED

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NATIONALISM OR DOMESTIC UNEMPLOYMENT STATISTICS.

4. IN VIEW OF THE IMPORTANCE OF RENAULT TO THE FRENCH ECONOMY, THE AUTHORITIES CAN BE EXPECTED TO GIVE APPROVAL; FOR RENAULT CAN HARDLY WAIT UNTIL THE LONG FALTERING "PLAN COMPOSANTS" BEARS EFFECTIVE FRUIT. FRENCH TRADE UNIONS CAN BE EXPECTED TO CRITICIZE THE DEAL AS NOT PROVIDING A FULLY FRENCH SOLUTION BUT SINCE IT WILL BRING ADDED JOBS TO FRANCE, THEIR CRITICISM IS NOT EXPECTED TO BE A DECISIVE FACTOR IN THE GOVERNMENT'S DECISION. HARTMAN.

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